

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**May 15, 2019**  
**Staff Report**  
***REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A***  
***QUALIFIED RESIDENTIAL RENTAL PROJECT***

*Prepared by: Ruben Barcelo*

<b>Applicant:</b>	<b>City of Los Angeles</b>
<b>Allocation Amount Requested:</b>	<b>Tax-exempt:</b> \$19,960,000
<b>Project Information:</b>	<b>Name:</b> Summit View Apartments <b>Project Address:</b> 11681 Foothill Blvd. <b>Project City, County, Zip Code:</b> Los Angeles, Los Angeles, 91342
<b>Project Sponsor Information:</b>	<b>Name:</b> 11681 Foothill, LP (11681 Foothill GP, LLC) <b>Principals:</b> Stephanie Klasky-Gamer, Andy Schneiderman, Rick A. Schroeder and Alex Russell <b>Property Management Company:</b> The John Stewart Company
<b>Project Financing Information:</b>	<b>Bond Counsel:</b> Kutak Rock LLP <b>Private Placement Purchaser:</b> MUFG Union Bank, N.A. <b>Cash Flow Permanent Bond:</b> Not Applicable <b>Public Sale:</b> Not Applicable <b>Underwriter:</b> Not Applicable <b>Credit Enhancement Provider:</b> Not Applicable <b>Rating:</b> Not Applicable <b>TEFRA Noticing Date:</b> March 6, 2019 <b>TEFRA Adoption Date:</b> April 9, 2019
<b>Description of Proposed Project:</b>	<b>State Ceiling Pool:</b> General <b>Total Number of Units:</b> 49 <b>Manager's Units:</b> 1 Unrestricted <b>Type:</b> New Construction <b>Population Served:</b> Family/Special Needs

Summit View Apartments is a new construction project located in Los Angeles on a 3-acre site. The project consists of 48 restricted rental units and 1 unrestricted manager unit distributed as 37 studios, 11 one-bedroom units and 1 two-bedroom unit. The project design calls for four buildings of three to four stories each. Common amenities include a community room, a rooftop communal space, a computer lab, laundry facilities and office space for management and tenant services. Each unit will feature a kitchen equipped with a refrigerator, stove and countertop/work space. Seventeen parking spaces will be provided. The project will be pursuing LEED certification. Construction is expected to begin in November 2019 and be completed in April 2021.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
100% (48 units) restricted to 50% or less of area median income households.  
0% (0 units) restricted to 60% or less of area median income households.  
**Unit Mix:** Studio, 1 & 2 bedrooms

The proposed project will be receiving service amenity points for providing instructor-led classes and for providing the services of a bona fide service coordinator.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	32,800,201	
<b>Estimated Hard Costs per Unit:</b>	\$	298,423	(\$14,622,717 /49 units including mgr. unit)
<b>Estimated per Unit Cost:</b>	\$	669,392	(\$32,800,201 /49 units including mgr. unit)
<b>Allocation per Unit:</b>	\$	407,347	(\$19,960,000 /49 units including mgr. unit)
<b>Allocation per Restricted Rental Unit:</b>	\$	415,833	(\$19,960,000 /48 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 19,960,000	\$ 2,192,000
LIH Tax Credit Equity	\$ 1,269,752	\$ 12,697,518
Deferred Developer Fee/ GP Capital Contribution	\$ 1,521,883	\$ 1,521,883
LACDC Deferred Interest	\$ 178,800	\$ 178,800
Deferred Costs	\$ 1,657,575	\$ 0
HCID CDBG	\$ 650,000	\$ 650,000
HCIDLA PSH Proposition HHH Loan	\$ 2,562,191	\$ 10,560,000
LACDC Loan	\$ 5,000,000	\$ 5,000,000
<b>Total Sources</b>	<b>\$ 32,800,201</b>	<b>\$ 32,800,201</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 2,397,155
New Construction	\$ 16,481,320
Contractor Overhead & Profit	\$ 1,058,017
Architectural Fees	\$ 1,051,410
Survey and Engineering	\$ 200,000
Construction Interest and Fees	\$ 2,433,833
Permanent Financing	\$ 78,204
Legal Fees	\$ 305,872
Reserves	\$ 413,638
Appraisal	\$ 10,500
Hard Cost Contingency	\$ 1,954,149
Local Development Impact Fees	\$ 240,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,130,152
Developer Costs	\$ 4,045,951
<b>Total Uses</b>	<b>\$ 32,800,201</b>

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**Analyst Comments:**

This project exceeds CDLAC's cost per unit threshold. Factors that contributed to the high cost include the following: the site's hillside location requires extensive site work, including grading, excavation and construction of retaining walls; project plans include extensive and costly offsite work, including installation of 11 street lights, sidewalk improvements, a sewer line extension, grading and construction of retaining walls; the high cost was also driven by unprecedented increases in labor costs of about 20% over the past two years, exacerbated by imposition of requirements to pay prevailing wages to comply with federal and state mandates; the cost per unit also reflects a \$4 million developer fee that is allowed per TCAC regs, though the partnership is actually receiving only \$2.5 million of this total from capital resources.

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**Legal Questionnaire:**

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

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**Total Points:**

82.5 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$19,960,000 in tax-exempt bond allocation.

**ATTACHMENT A**

**EVALUATION SCORING:**

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	10
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
<b>Total Points</b>	<b>140</b>	<b>120</b>	<b>82.5</b>